



Jeffrey Pearlman
Executive Director, Authorities Budget Office
240 State Street #2076
Albany, NY 12220

Via Email

February 22, 2018

Re: AMENDED Request for investigation of conflict of interest issues due to MTA Board of Directors Chairman Joe Lhota becoming a director of The Madison Square Garden Company and MSG Network Inc.

Dear Executive Director Pearlman,

We write to request that your office investigate a number of questions related to Joseph Lhota, Chairman of the Board of the Metropolitan Transportation Authority, joining the boards of directors of The Madison Garden Company and MSG Networks Inc. *This amends our February 15, 2018 complaint with corrected dates for when Mr. Lhota joined the boards and includes modifications to the questions we ask ABO to investigate.*

According to records submitted to the Securities and Exchange Commission (below) Lhota joined the board of MSG Network Inc. on December 15, 2016. He was appointed chair of the MTA in June 2017 and subsequently was nominated to the board of The Madison Square Garden Company on October 17, 2017 and joined The Company board on December 15, 2017.

Madison Square Garden is owned by The Madison Square Garden Company and is located directly over the MTA's Penn Station, one of the MTA's most important facilities. The State of New York and MTA are in the process of relocating Penn Station to Farley Post Office, and MSG and Penn Station are at the center of one of the largest State-supported economic development projects.

At a February 22, 2018 press conference following an MTA board meeting, Mr. Lhota said he had disclosed his directorship at MSG Networks Inc. on forms filed with the Governor's Office, State Senate and JCOPE after being nominated chair of the MTA. He did not say whether he had gotten a JCOPE opinion about being a director of The Company. Lhota also added that he had not disclosed either directorships to the MTA Board. (See Lhota at YouTube link below starting at 2:46:50.)

We ask the ABO to investigate these questions related to Lhota and the Madison Square Companies:

1. Did Joe Lhota violate *Public Officers Law §74* by engaging in outside activity related to The Madison Square Garden Company or MSG Network Inc. which interferes or substantially conflicts with the proper and effective discharge of his official duties or responsibilities to the MTA?
2. Did Joe Lhota violate *MTA Board Member Code of Ethics Section 4.01 Financial or Business Interest* which says in part “ In order to preserve independence of judgment in the exercise of their official duties, Board Members shall not have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, or accept any non-governmental employment, which is in substantial conflict with the proper discharge of the Board Member’s duties in the public interest?”
3. Is the chair of the MTA required to disclose to its board of directors outside activity that requires prior approvals or opinions from from the Joint Commission on Public Ethics?
4. Is the MTA conflict of interest policy adequate and does it include recommended provisions from the ABO’s model conflict of interest policy?
5. Did Lhota seek and receive an opinion from JCOPE about his outside activities as a director of The Madison Square Garden Company? Should he have? (Per above, Lhota was nominated and became a director of The Company after he was already chair of the MTA.)

In addition to investigating these questions, we request that ABO provide the MTA board of directors with recommendations for strengthening their conflicts of interest policy as it relates to the disclosure of outside activities by the chairman and directors of the MTA.

According to the Authorities Budget Office Recommended Practice on Conflict of Interest Policy:

Board members and employees of state and local public authorities owe a duty of loyalty and care to the authority and have a fiduciary responsibility to always serve the interests of the public authority above their own personal interests when conducting public business. As such, board members and employees have the responsibility to disclose any conflict of interest, including any situation that may be perceived as a conflict of interest, to the authority board and the public.

We believe the spirit of the Public Officers Law, Public Authorities Law, ABO Recommended Practices and MTA Code of Ethics is clear. At a minimum, Chair Lhota should have told his colleagues on the MTA board that he intended to join the MSG board and share any applicable opinions or approvals by JCOPE. Failing that, he should have told them he had sought and received an approval for outside activity from JCOPE. Our hope is that ABO will clarify what transpired here and what can be done to ensure that any outside activities by an authority executive or board chair that requires a prior approval from JCOPE will be disclosed to that authority's board of directors and the public.

Thank you,

John Kaehny
Executive Director
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Sources

MTA YouTube Channel video of Feb 22, 2018 MTA Board Meeting (See 2:46:50)

<https://www.youtube.com/watch?v=lbCSncRgzho>

Lhota nominated as MSG Company director October 17, 2017

<https://www.sec.gov/Archives/edgar/data/1636519/000119312517321868/d460366dde14a.htm>

Lhota elected MSG Company director December 15, 2017

<https://www.sec.gov/Archives/edgar/data/1636519/000119312517370786/d510564d8k.htm>

Lhota elected MSG Networks director December 15, 2016

<https://www.sec.gov/Archives/edgar/data/1469372/000119312516795823/d296546d8k.htm>

Select News Media

New York Daily News 02/13/2018

<http://www.nydailynews.com/new-york/mta-boss-joe-lhota-takes-160g-side-gig-msg-board-directors-article-1.3819073>

Politico 02/12/2018

<https://www.politico.com/states/new-york/city-hall/story/2018/02/12/lhota-gets-job-at-msg-raising-conflict-concerns-248593>

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